

BEFORE THE
PUBLIC SERVICE COMMISSION OF WISCONSIN

Application of Milwaukee Water Works, Milwaukee County,
For Authority to Increase Water Rates

Docket No. 3720-WR-107

SUPPLEMENTAL REBUTTAL TESTIMONY OF MICHAEL P. RAU
July 19, 2010

1 **Q. Please state your name.**

2 A. My name is Michael P. Rau.

3 **Q. Have you previously submitted rebuttal testimony in this proceeding?**

4 A. Yes.

5 **Q. What is the purpose of this supplemental rebuttal testimony.**

6 A. After rebuttal testimony was submitted, Milwaukee Water Works filed a revised rate
7 application, and PSC staff prepared a revised revenue requirement, cost of service study,
8 and rate design. In addition, PSC staff submitted supplemental direct testimony. I have
9 reviewed this supplemental rebuttal testimony and exhibits and would like to offer three
10 responses.

11 **Q. What is your first response?**

12 A. The PSC's witness, Lois Hubert, addressed my testimony in her supplemental direct
13 testimony, but she read my testimony to mean something other than what I meant.
14 (SD12.5, lines 11-21.) In my testimony, I indicated that because water main is a long life
15 asset, utility management decided to borrow for the capital costs for the mains "so the
16 current property owner does not have to pay all the costs of an asset that will last for 100
17 years or more." In this statement, I use the term "property owner" and "water customer"
18 interchangeably. I did not use the term "property owner" to mean "taxpayer" as Ms.

1 Hubert suggests. I disagree with Ms. Hubert's characterization of my testimony.
2 (SD12.5, lines 11-21.)

3 **Q. What is the second issue you would like to respond to?**

4 A. In my initial testimony, I responded to Andrew Behm's testimony that because Mequon
5 and Shorewood do not have their own elevated storage, they must rely on MWW's
6 storage capacity to accommodate their max hour consumptions. (D.12.16, lines 3-9).

7 I indicated that I did not believe storage costs should be allocated to the Mequon
8 Water Utility because the utility uses a second Lake Michigan treated water supplier, the
9 North Shore Water Commission, as its peaker supply. When Milwaukee has supply
10 problems or when the demands in Mequon get greater than normal, the North Shore
11 Supply meets the peak demand automatically. The North Shore Water has auxiliary
12 power back up so it acts in much the same way that other systems use elevated storage. It
13 has provided max hour supply to Mequon since 2008 when a booster station was
14 constructed by the Mequon Water Utility. Additionally, the Mequon Water Utility has
15 three (3) small reservoirs with booster pumps that act as peaker storage for high demands
16 or fire flow.

17 Despite this testimony, the PSC's second COSS continues to allocate storage costs
18 to the Mequon Water Utility. PSC staff has provided no explanation for its rejection of
19 my previously submitted testimony. This is surprising especially since Mr. Behm has
20 recognized that MWW itself meets its max hour needs with something other than
21 elevated storage. In his testimony, Mr. Behm stated that, "MWW is different from all or
22 most other water utilities in Wisconsin because it is not able to provide maximum hour
23 consumption entirely out of elevated storage. . . . Because Milwaukee cannot meet
24 maximum hour demand from storage, pumping must serve a max hour purpose." (R12.7,

1 lines 6-13.) PSC should similarly recognize that Mequon has an alternative method of
2 meeting its max hour needs. Mequon does not use elevated storage, but rather uses a
3 second Lake Michigan supplier for its max hour demand.

4 This was recently demonstrated when a fire was experienced in the commercial
5 area along Port Washington Road following a lightning strike. The lightning strike
6 occurred at about 4:30 a.m., the Mequon Fire Department responded within 10 minutes
7 and opened hydrants. The fire flow being used by the fire department exceeded the
8 Milwaukee supply capacity. Our North Shore Water Supply kicked in at the appropriate
9 pressure point and supplemented the Milwaukee supply (like an elevated storage facility
10 would do). The fire was put out within 30 minutes. The secondary and tertiary peaker
11 reservoirs in the system were not needed. Having been a designer, manager, and operator
12 of many water systems in Wisconsin and elsewhere, I believe this system design in
13 Mequon that does not have elevated storage is actually more reliable and should be
14 credited in the rate design appropriately.

15 Given this information, I don't believe that storage costs related to Milwaukee's
16 system should be allocated to Mequon.

17 **Q. What is the third issue you would like to respond to?**

18 A. I addressed the issue of unaccounted-for water in my initial testimony and neither
19 Milwaukee nor the PSC has responded on this issue.

20 Both the Brown Deer Water Utility and the Mequon Water Utility work hard to
21 keep water losses in their distribution system to a minimum. Each water utility expends
22 funds in its own retail service area to detect and address leaks in its distribution system
23 and at customer meters. These costs are borne by utility customers. The customers of

1 Brown Deer and Mequon should not bear the costs of leak detection and repair both for
2 their own systems, and for the Milwaukee distribution system.

3 As I stated before, I believe the unaccounted for water adjustment proposed in Pat
4 Planton's testimony is needed to be fair to the customers of the wholesale communities.

5 **Q. Does this conclude your pre-filed supplemental rebuttal testimony?**

6 **A. Yes.**

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